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July 14, 2006

VIA ELECTRONIC FILING AND OVERNIGHT DELIVERY

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station  
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 06-36

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), are Bay State's responses to the following Information Requests:

SPR-1-06      SPR-1-11      SPR-1-15

HESS-1-01    HESS-1-08    HESS-1-09    HESS-1-11    HESS 1-12

HESS-1-13    HESS-1-14    HESS-1-15    HESS-1-20    HESS-1-22

HESS-1-23    HESS-1-24

Please do not hesitate to contact me if you have any questions.

Very truly yours,

Patricia M. French

cc: Julie Howley Westwater, Esq., Hearing Officer  
Jamie M. Tosches, Esq., Office of the Attorney General  
Service List (Electronic Service per the Ground Rules)

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE  
FIRST SET OF INFORMATION REQUESTS FROM SPRAGUE ENERGY, INC.  
D.T.E. 06-36

Date: July 14, 2006

Responsible: Joseph A. Ferro, Manager Regulatory Policy

SPR 1-6: Please provide an analysis comparable to Exhibit BSG-1, Attachment JAF-2, showing actual and percentage overtakes separately for marketers currently active on Bay State's distribution system versus those marketers who have since left Bay State's system or sold their accounts to another marketer.

RESPONSE: Please see Attachment SPR 1-6. Page 1 of this attachment excludes data for marketers that are not currently active on Bay State's system. Page 2 of this attachment excludes data for marketers that are currently active on Bay State's system.

**Daily Metered Overtakes**  
**Excluding Data for Marketers that are not Currently Active**

<u>Date</u>	<u>Brockton</u>		<u>Springfield/Lawrence</u>		<u>Undertakes</u>	<u>Net Overtake</u>
	<u>Dth</u>	<u>%</u>	<u>Dth</u>	<u>%</u>		
12/10/2001	180	3.6%	682	7.3%	(44)	819
11/5/2001	2,453	51.9%	1,062	10.3%	(1)	3,514
12/9/2001	275	6.4%	698	9.6%	(172)	802
2/11/2002	545	9.9%	1,664	13.0%	(24)	2,186
2/5/2002	759	12.2%	1,055	8.9%	(30)	1,784
2/13/2002	-	0.0%	1,057	8.5%	(158)	899
12/1/2002	336	6.9%	1,417	14.1%	-	1,753
4/23/2002	398	9.4%	2,424	25.9%	(17)	2,806
12/4/2001	30	5.4%	892	9.8%	(261)	660
4/29/2002	425	9.7%	1,296	12.4%	(12)	1,709
4/24/2002	404	10.0%	1,680	17.6%	(1)	2,084
12/6/2004	473	9.7%	1,962	12.6%	(11)	2,425
2/14/2002	134	2.6%	500	4.8%	(117)	517
3/31/2003	369	9.7%	1,566	14.5%	(62)	1,873
12/2/2001	45	14.7%	1,754	22.2%	(477)	1,322
4/22/2002	456	10.0%	1,356	16.5%	-	1,812
11/29/2001	23	7.3%	1,640	16.8%	(339)	1,325
11/12/2001	542	10.0%	1,330	14.5%	(80)	1,792
4/28/2002	564	16.5%	1,105	14.1%	(3)	1,666
12/16/2001	1,109	25.1%	729	8.3%	-	1,838

**Daily Metered Overtakes**  
**Excluding Data for Marketers that are Currently Active**

<u>Date</u>	<u>Brockton</u>		<u>Springfield/Lawrence</u>		<u>Undertakes</u>	<u>Net Overtake</u>
	<u>Dth</u>	<u>%</u>	<u>Dth</u>	<u>%</u>		
12/10/2001	266	14.5%	4,874	64.6%	(25)	5,114
11/5/2001	484	24.8%	1,614	20.5%	-	2,098
12/9/2001	210	10.5%	3,573	57.7%	(3)	3,780
2/11/2002	286	14.8%	1,916	18.7%	(21)	2,181
2/5/2002	216	10.5%	2,464	25.9%	(80)	2,599
2/13/2002	179	12.8%	3,298	26.6%	(58)	3,419
12/1/2002	265	17.3%	1,680	23.4%	(4)	1,941
4/23/2002	123	11.9%	900	12.4%	(59)	964
12/4/2001	307	48.9%	2,933	48.4%	(257)	2,983
4/29/2002	293	24.2%	1,385	20.3%	(7)	1,670
4/24/2002	376	27.4%	955	14.9%	(39)	1,292
12/6/2004	8	9.6%	764	85.4%	-	772
2/14/2002	95	5.0%	2,504	22.8%	(69)	2,529
3/31/2003	211	17.9%	828	10.1%	(1)	1,037
12/2/2001	-	0.0%	1,752	29.6%	(176)	1,575
4/22/2002	208	14.1%	866	12.9%	(6)	1,069
11/29/2001	101	45.1%	1,503	20.3%	(84)	1,520
11/12/2001	767	32.2%	738	30.3%	(462)	1,043
4/28/2002	371	32.7%	808	15.8%	(17)	1,162
12/16/2001	180	12.8%	798	13.5%	(19)	959

COMMONWEALTH OF MASSACHUSETTS  
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D.T.E. 06-36

Date: July 14, 2006

Responsible: Joseph A. Ferro, Manager Regulatory Policy

SPR 1-11: Please refer to Exhibit BSG-1, Attachment JAF-3. Please provide all analyses, source documents and workpapers relied upon by Mr. Ferro in the preparation of the referenced attachment.

RESPONSE: Please see Attachment SPR 1-11, which consists of x pages that include the following data used to prepare Attachment JAF-3:

- Capacity exempt Customer Peak Day of 58,846 Dth – Page 1
- Bay State's total system design day of 504,151 Dth – Page 1
- Annual capacity costs of \$60,400,925 used to derive annual unit capacity cost of \$131.91 / Dth – Page 2
- Associated MDQ of 458,243 Dth used to derive the annual unit capacity cost of \$131.91 / Dth – Page 3
- Twelve months, March 2005 through February 2006 of actual capacity release revenues of \$6,407,187 – Page 4
- Annual throughput (forecast demand) of all capacity exempt customers of 86,722,280 therms for the period of November 2005 through October 2006 – Page 5

Description of Design Day Derivation:

The design day forecast is divided into sales, capacity-exempt transportation and non-capacity-exempt transportation using estimates for monthly base load and volume/EDD from the company's customer information system (CIS). The monthly factors are estimated by CIS for each customer with linear regression where the intercept is interpreted as the base load and the coefficient for EDD represents volume/EDD. The factors are summed for each group and the design day is calculated as follows:

Design Day = ((Monthly Base Load / 30 days) + ((Volume/EDD) \* Design Day EDD)) \* (1+ unaccounted for percentage)

Where; Design Day EDD is a cold January day at 4% probability

The resulting "capacity exempt customer peak day" and "Total System Design Day" by division as reported in Exhibit BSG-1, Attachment JAF-3, are as follows:

(MMBtu)

<u>Division</u>	<u>Cap. Exempt Design Day</u>	<u>Total System Design Day</u>
Springfield	20,155	265,258
Lawrence	13,180	88,414
Brockton	<u>25,511</u>	<u>150,478</u>
Total BSG	58,846	504,151

The quantity of data is voluminous and most of the calculations are processed on a mainframe computer. The source "documents" are CIS and the weather data base that contains daily data from 1967 to present. There are no "workpapers."

Bay State Gas 2005-2006  
Total Portfolio  
Demand Costs

Attachment SPR 1-11  
Page 2 of 5

<u>Transportation</u>	<u>Contract</u>	<u>Rate Schedule</u>	<u>MDQ</u>	<u>Monthly Demand</u>	<u>No. Invoices</u>	<u>Annual Demand Cost</u>
<b>Brockton Pipeline</b>						
Algonquin	93001EC	AFT-1(F-1/WS-1)	51,632	\$6.5854	12	\$4,080,208
Algonquin	93201AC	AFT-1 (F-2 & F-3)	5,489	\$6.5854	12	\$433,767
Algonquin	93401	AFT-1 (F-4)	5,690	\$6.5854	12	\$449,651
Algonquin	93001F	AFT-1 (AFT-2)	18,584	\$6.1138	12	\$1,363,426
Algonquin		AFT-1(F-1/WS-1)	48,000	\$9.2500	10	\$4,440,000
Tennessee	41098	FT-A	18,733	\$6.4140	12	\$1,441,842
Algonquin (Hubline)	510066	FT-A	20,000	\$7.0000	12	\$1,680,000
Texas Eastern LH	800462	CDS	36,369	\$10.8600	12	\$4,739,608
Tetco STX	800462	CDS	7,597	\$6.8050	12	\$620,371
Tetco ETX	800462	CDS	4,389	\$2.1890	12	\$115,290
Tetco WLA	800462	CDS	8,265	\$2.8260	12	\$280,283
Tetco ELA	800462	CDS	15,758	\$2.3750	12	\$449,103
Transco	6548	FT	1,254	\$2.9069	12	\$43,743
Iroquois	R182001	RTS-1	18,773	\$6.7909	12	\$1,529,827
Tennessee	39741	FT-A	4,081	\$4.9300	12	\$241,432
Tennessee	5291	FT-A	6,171	\$4.9300	12	\$365,076
Tennessee	5173	FT-A	12,748	\$15.6300	12	\$2,391,015
Tennessee	46313	NET 284	6,170	\$11.9747	12	\$886,607
Tennessee	31855	NET 284	9,774	\$7.1706	12	\$841,025
Tennessee	42427	FT-A	17,000	\$4.9300	12	\$1,005,720
Tennessee	42426	FT-A	17,000	\$2.7375	12	\$558,450
Granite	93102F	FT-1	21,400	\$1.6666	12	\$427,983
Granite	93101F	FT-NN	25,600	\$3.9500	5	\$505,600
PNGTS	1997-001	FT	4,900	\$25.8542	12	\$1,520,225
PNGTS	1997-002	Negotiated FT	25,600	\$49.12	5	\$6,287,733
TOTAL						\$36,697,986

					<u>Monthly</u>	<u>Monthly</u>	<u>No.</u>	<u>Annual Demand</u>
<u>Storage</u>			<u>MDWQ</u>	<u>Capacity</u>	<u>Demand (1)</u>	<u>Demand (2)</u>	<u>Invoices</u>	<u>Cost</u>
Dominion	600002	GSS-TE	14,758	1,441,753	\$1.8822	\$0.0145	12	\$584,195
Texas Eastern	400502	FSS-1	1,056	63,360	\$0.8970	\$0.1293	12	\$19,559
Texas Eastern	400193	SS-1	22,819	1,588,950	\$5.3890	\$0.1293	12	\$1,681,110
Algonquin	94501	AFT-1 (AFT-5)	14,758		\$12.6265		12	\$2,236,103
Algonquin	93001EC	AFT-1 (AFT-5)	23,875		\$6.5854		12	\$1,886,717
Texas Eastern	800414	CDS	1,056		\$5.2430		12	\$66,439
Texas Eastern	800382	FT-1	4,235		\$5.6800		12	\$288,658
National Fuel	O10537	FSS	10,000	1,100,000	\$2.1556	\$0.0432	12	\$828,912
Tennessee	5178	FS-MA	19,755	1,222,594	\$1.1500	\$0.0185	12	\$544,035
MCN	NA	NA	16,000	2,416,000	\$17.6480	\$11.0000	5	\$3,523,840
Tennessee	5293	FT-A	12,547		\$5.8900		12	\$886,822
Tennessee	5196	FT-A	15,375		\$5.8900		12	\$1,086,705
PNGTS	1997-002	Negotiated FT	15,000		\$49.12		5	\$3,684,219
Granite	93101F	FT-NN	15,000		\$3.9500		5	\$296,250
TOTAL								\$17,613,564

<u>Peaking</u>	<u>MDQ</u>	<u>ACQ</u>	<u>No. Invoices</u>	<u>Annual Demand Cost</u>
On-system Brockton				\$2,730,992
On-system Sp/LW				\$3,358,383
TOTAL				\$6,089,375
TOTAL SYSTEM				\$60,400,925

Bay State Gas Company  
Capacity Release/ Offsystem Sales Revenues

Mar-05	\$32,057
Apr-05	\$55,761
May-05	\$287,139
Jun-05	\$303,879
Jul-05	\$305,594
Aug-05	\$319,668
Sep-05	\$303,190
Oct-05	\$305,228
Nov-05	\$1,179,639
Dec-05	\$1,210,020
Jan-06	\$1,061,218
Feb-06	\$1,043,793
Total	\$6,407,187



**Bay State Gas Company  
Total Resource Capability  
(MMBtu)  
2005-2006 Peak Day**

**Total Bay State**

Pipeline

Algonquin 122,477

Tennessee 55,943

PNGTS 30,348

Total Pipeline 208,768

Storage

Tennessee 27,735

PNGTS 14,925

Algonquin 27,815

Total Storage 70,475

Peaking

LNG 119,000

Propane 60,000

Total Peaking 179,000

Total Capacity 458,243

**Bay State Gas Company**  
**Forecasted Grandfathered Transportation Load**  
**MMBtu**

[illegible]

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D.T.E. 06-36

Date: July 14, 2006

Responsible: Joseph A. Ferro, Manager Regulatory Policy

SPR 1-15: Please refer to Exhibit BSG-1, Attachment JAF-3. Please provide a comparable analysis assuming that the additional capacity acquired by Bay State costs the same as the most expensive long-term capacity currently held in Bay State's portfolio.

RESPONSE: Please see Attachment SPR 1-15.

The most expensive long-term capacity currently held in Bay State's portfolio, and reflected in the attached calculation, is the annual capacity on the Portland Natural Gas Transmission System (PNGTS) under its FT rate schedule. Note that the MDQ of this capacity is 4,900 Dth, and the term of the associated contract expires on March 10, 2019.

**Capacity Exempt Customer Reliability Charge  
Example Calculation**

<u>Row</u>	<u>Description</u>	<u>Amount</u>	<u>Calculation</u>
(1)	Capacity Exempt Customer Peak Day	58,846 Dth	
(2)	<b>Highest</b> Annual Unit Capacity Cost	\$ <b>310.25</b> per Dth	
(3)	Factor	<u>30%</u>	
(4)	Reliability Costs	\$ 5,477,091	(1) x (2) x (3)
(5)	Capacity Release / OSS Margin Revenues	\$ (6,407,187)	
(6)	Total System Design Day	504,151 Dth	
(7)	Capacity Release / OSS Credit	\$ (747,866)	(5) x ((1) / (6))
(8)	Prior Period Under / (Over) Recovery	\$ -	
(9)	Total CECRC Allowable Costs for Period	\$ 4,729,226	(4) + (7) + (8)
(10)	Capacity Exempt Customer Throughput (Therms)	86,722,280	
(11)	CECRC Charge per therm	\$ <b>0.0545</b>	(9) / (10)

COMMONWEALTH OF MASSACHUSETTS  
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RESPONSE OF BAY STATE GAS COMPANY TO THE  
FIRST SET OF INFORMATION REQUESTS FROM HESS CORPORATION  
D.T.E. 06-36

Date: July 14, 2006

Responsible: Joseph A. Ferro, Manager Regulatory Policy

Hess 1-1: Please provide copies of the Company's responses to all discovery requests by DTE staff and all other participants to this proceeding.

RESPONSE: The Company provided Hess Corporation's two representatives in this proceeding, Frederick Klein, Esquire and Rebecca Bachelder of Blue Flame Consulting, with all Company responses to the discovery issued by the Department and Attorney General by way of e-mail on the dates such responses were submitted. (Company submitted responses to the Department's information requests on June 27 and 28, 2006 and to the Attorney General on June 28, 2006.)

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Responsible: Joseph A. Ferro, Manager Regulatory Policy

Hess 1-8: Please define "overtake."

RESPONSE: Consistent with the pertinent definitions and provisions of the Company's Distribution and Default Service Terms and Conditions, "overtake" is congruent to under-delivery, which is the negative difference between daily receipts (net of Company Gas Allowance or fuel retention) and daily usage, all of which is associated with a Customer or Customers in an Aggregation Pool. Daily receipts represent confirmed Nominations, defined in part as the quantity of Gas received by the Company at its Designated Receipt Point(s), while daily usage represents metered Gas Usage at each Customer's Delivery Point.

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Hess 1-9: Can overtakes be caused by customers other than grandfathered customers?

RESPONSE: Yes.

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Responsible: Joseph A. Ferro, Manager Regulatory Policy

Hess 1-11: How many non-daily metered transportation customers have annual usage in excess of 250,000 therms per year?

RESPONSE: None of Bay State's non-daily metered transportation customers have annual usage in excess of 250,000 therms, because pursuant to Section 12.1 – Eligibility of Bay State's Distribution and Default Service Terms and Conditions, only those Customers whose annual load is less than 250,000 therms are eligible for non-daily metered service.



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Responsible: Joseph A. Ferro, Manager Regulatory Policy

Hess 1-12: How many non-daily metered transportation customers have usage less than 250,000 therms per year?

RESPONSE: All the Company's non-daily metered transportation customers have usage less than 250,000 therms per year. The Company currently has 3,620 non-daily metered transportation customers.

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Date: July 14, 2006

Responsible: Francisco C. DaFonte, Director, Energy Supply Services

Hess 1-13: Please provide a timeline showing the nomination and confirmation activities and flow of metered usage information between marketers, Bay State and the pipelines for a typical gas day.

RESPONSE: The nomination and confirmation process is explained in detail in the response to DTE 1-18.

Usage information is exchanged between the pipelines and Bay State on a real-time basis. Metered usage information is provided to marketers on a daily basis and marketers may receive more frequent metered usage directly from their customers. In all cases, weather plays a significant role in anticipating customer usage and it is Bay State's belief that Bay State, the pipelines and the marketers all have the same access to weather forecasts for the purposes of determining anticipated customer requirements and bringing on the appropriate supply to satisfy these requirements.

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Responsible: Francisco C. DaFonte, Director, Energy Supply Services

Hess 1-14: What economic incentive(s) do marketers have to under-deliver on an OFO day?

RESPONSE: Bay State has penalty provisions in its tariff that are designed to deter marketers from under-delivering for economic reasons. However, Bay State can not speak to the reliability of a marketer's supply, which may have nothing to do with economics. That is, a marketer may not intentionally under-deliver for economic reasons but simply may not be able to deliver due to restrictions on upstream pipelines, supply disruptions or other force majeure events. In fact, even with these penalties in place, marketers have failed to deliver on OFO days and have incurred significant penalty costs. Fortunately Bay State has made-up supplier shortfalls on these days preventing any loss of firm service or distribution system failures that might have occurred.

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Responsible: Joseph A. Ferro, Manager Regulatory Policy

Hess 1-15: Are grandfathered customers in the non-daily metered program part of Bay State's 30 percent reserve proposal?

RESPONSE: The Company's proposal includes a reliability requirement, or incremental planning standard, associated with 30 percent of the design day load of all grandfathered customers, those customers whose requirements are not met with the Company's firm capacity resources.

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Responsible: Joseph A. Ferro, Manager Regulatory Policy

Hess 1-20: Can Bay State identify a specific customer who "overtakes" on any given day?

RESPONSE: Bay State can identify a specific customer overtake on any given day when the overtake is associated with a customer who acts as its own supplier and is not included in a Supplier pool. Suppliers do not nominate separately for individual customers preventing Bay State from determining whether a specific customer overtakes on any given day.

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Responsible: Joseph A. Ferro, Manager Regulatory Policy

Hess 1-22: Does Bay State consider its proposal to be cost-based? If so, please explain.

RESPONSE: Bay State considers its proposal to be cost based insofar as it is based on the determination of the design day load needed for reliability and at the Company's cost of capacity. The proposed Capacity Exempt Capacity Reliability Charge ("CECRC") reflects the cost of capacity needed to satisfy this reliability planning standard consistent with Bay State's long-term integrated resource planning process. Moreover, the CECRC recoveries and costs are reconciled on an annual basis pursuant to the proposed tariff terms provided in Exhibit BSG-1, Attachment JAF-4. Also see Bay State's responses to SPR 1-12 and SPR 1-14.

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Responsible: Francisco C. DaFonte, Director, Energy Supply Services

Hess 1-23: Describe Bay State's proposal for the disposition of revenues received from mitigation efforts for the 30 percent reserve capacity. How can Bay State distinguish between mitigation efforts for the 30 percent reserve capacity and other capacity? Which capacity has priority for mitigation and why? How will Bay State determine which mitigation revenues relate to the 30 percent reserve and which relate to other capacity?

RESPONSE: In order to maximize capacity mitigation revenues associated with the 30 percent reserve, Bay State would manage the capacity associated with the incremental planning standard and all other capacity on an integrated basis so that it can take advantage of the increased marketability of higher volume capacity paths. If Bay State were to try to mitigate the 30 percent capacity associated with the incremental planning standard separately, it would result in much smaller volume capacity paths that are less desirable and more difficult to market.

As for the allocation of capacity release revenues, Bay State would simply take the ratio of total design day capacity to the capacity associated with the incremental planning standard (30% of grandfathered design day) and allocate revenues on that same basis. For example, if the ratio of design day capacity to planning standard capacity is 90/10 then \$1 million in capacity release revenues would be allocated \$900,000 to system design day capacity less the reserve and \$100,000 to the reserve representing 30% GF design day load. Note that such an assignment calculation of capacity release revenues is shown on Attachment JAF-3, at line (7).

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Hess 1-24: Please describe Bay State's response and timing of such response to the directives set forth by the Department in its June 6, 2005 Order in DTE 04-01 to "...improve performance or implement procedures...on the matters of...(2) access to and modification of consumption algorithms; and (3) monthly true-ups of differences between forecast usage and billed usage."

RESPONSE: Under letter dated December 2, 2005, the Company, in response to the Department Order dated June 6, 2005 in D.T.E. 04-1, submitted to the Department's Director of the Gas Division an update on the progress on several issues. Bay State's response on issue (2) related to consumption algorithms and (3) related to monthly true-ups was submitted as follows:

"Consumption Algorithm (pg. 44) – Bay State filed modifications to its tariff on November 10, 2005 to reflect that the Company's consumption algorithm is available upon request. Bay State has been actively working with Suppliers to fine tune our consumption algorithm. Electronic files are updated daily containing the non-heating and heating factors for individual customers. At the request of several Suppliers, Bay State has agreed to negate degree days during the summer period. Bay State has also participated in a joint LDC /Supplier meeting recently hosted by KeySpan."

"True Up Variances (pg.46) – Beginning in April 2005 Bay State began to true-up non-daily metered pools to actual usage on a monthly basis. The monthly true-up has been favorably received by the Suppliers, as it tends to eliminate the cash flow issues inherent in a semi-annual true up process."